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Message Text

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ACTION XMB-04

INFO OCT-01 ARA-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 DOE-15 SOE-02
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P 282110Z JUN 78
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC PRIORITY 1393

UNCLAS LA PAZ 5100

EO 11652: NA
TAGS: BEXP, BL
SUBJ: EXIM FINANCING FOR GAS TURBINE COMPRESSOR SETS FOR YPFB
(PRELIMINARY COMMITMENT NO 78-0-4152)

1. EMBASSY UNDERSTANDS THAT SOLAR TURBINES INTERNATIONAL OF SAN DIEGO (SUBSIDIARY OF INTERNATIONAL HARVESTER) HAS TENTATIVELY BEEN AWARDED A CONTRACT FOR DELIVERY OF SIX CENTAUR GAS TURBINE COMPRESSOR SETS FOR YPFB, THE BOLIVIAN STATE PETROLEUM COMPANY. ACCORDING TO THE SUPPLIER, YPFB HAS ELECTED TO PURCHASE HALF OF THE COMPRESSORS FOR WHICH THE ORIGINAL PRELIMINARY COMMITMENT WAS REQUESTED, DELAYING THE ACQUISITION OF THE REMAINING SIX COMPRESSORS FOR ONE OR TWO YEARS. THE ORIGINAL INTENT WAS TO INCREASE THE YACUIBA GASLINE CAPACITY BEYOND IMMEDIATE NEEDS TO ALLOW FOR EASY FUTURE EXPANSION. TOTAL VALUE OF THE PRESENT CONTRACT IS ESTIMATED BY THE SUPPLIER TO BE APPROXIMATELY $4.5 MILLION.

2. THERE IS NO QUESTION ABOUT THE COMMERCIAL VIABILITY OF THIS PROJECT. ARGENTINA HAS AGREED TO BUY ADDITIONAL NATURAL GAS FROM BOLIVIA BEGINNING IN MAY 1979. GAS PRICES ARE REVIEWED BY BOTH YPF AND YPFB EVERY SIX MONTHS. CURRENTLY THEY STAND AT $1.20 MCF AND ARE EXPECTED TO RISE TO $1.40 MCF WITHIN THE NEXT FEW WEEKS. THE GOB IS RESTRICTING COMMERCIAL BANK
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FINANCING FOR STATE CORPORATIONS AS PART OF ITS AUSTERITY PROGRAM IN 1978 AND THE IMF IS SUPPORTING THIS POLICY. HOWEVER, EXIMBANK FINANCING DOES NOT FALL UNDER THESE RESTRICTIONS AND IN ANY CASE THE LOAN AMOUNT (4.5 MILLION) IS SMALL. YPFB IS A BIG COMPANY AND BASICALLY SOUND FINANCIALLY. ITS OIL AND GAS EXPORTS ARE PROJECTED TO RISE IN 1979. IT HAS SOME LIQUIDITY PROBLEMS DUE TO HIGH FEDERAL AND

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STATE TAXES AND LOW DOMESTIC GASOLINE PRICES. HOWEVER, THIS WILL NOT EFFECT THE ABILITY OF YPFB IN ANY WAY TO HANDLE AN EXIMBANK LOAN OF THIS OR EVEN MUCH LARGER SIZE ESPECIALLY WHEN IT IS TIED TO A PROJECT OF SUCH EXTREMELY HIGH COMMERCIAL VIABILITY. THEREFORE, THE EMBASSY BELIEVES THAT NO CENTRAL BANK GGARANTEE NEED BE REQUIRED FOR A LOAN OF THIS TYPE AND SIZE.

3. YPFB NEEDS ADDITIONAL GASLINE CAPACITY (TO BE ADDED BY NEW COMPRESSORS) TO INCREASE NATURAL GAS SALES TO ARGENTINA. IN ORDER FOR THIS PROJECT TO BE COMPLETED IN TIME TO MEET DELIVERY COMMITMENTS, SHIPMENTS OF EQUIPMENT FROM THE US MUST BEGIN IN AUGUST OF THIS YEAR. EMBASSY FEARS THIS BUSINESS MIGHT BE LOST TO THE US IF PROMPT APPROVAL CANNOT BE GRANTED. WE URGE THAT PROMPT AND FAVORABLE CONSIDERATION BE GIVEN TO THIS CREDIT APPLICATION.

4. THE EMBASSY WILL GLADLY PROVIDE ANY FURTHER INFORMATION NEEDED BY EXIMBANK FOR APPROVAL OF THIS LOAN REQUEST. FOR MORE DETAILED INFORMATION ON YPFB AND THE BOLIVIAN PETROLEUM INDUSTRY SEE A-29, MAY 16, 1978.
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Disposition Approved on Date:
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